

**REQUEST FOR PROPOSALS FROM
CERTIFIED PUBLIC ACCOUNTING FIRMS
FOR
THE ANNUAL INDEPENDENT AUDIT
OF THE
ARKANSAS DEVELOPMENT FINANCE AUTHORITY**



**SPECIAL NOTE: YOUR IMMEDIATE ATTENTION IS CALLED TO SECTION I.C.
YOU NEED TO SEND TO US AN E-MAIL ADDRESS FOR
TRANSMISSION OF NOTICES OF INQUIRIES.**

February 21, 2003

**Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72201
(501) 682-5900**

SECTION I: INSTRUCTIONS TO PROPOSER/GENERAL INFORMATION

A. PROGRAM INFORMATION. The Arkansas Development Finance Authority (“ADFA” or the “Authority”) is seeking professional service proposals to perform independent auditing services for the Authority during its next two fiscal years ending June 30, 2003 and June 30, 2004.

Services to be performed include the examination and submission of an independent auditors’ report on the Authority’s financial statements for the year ending June 30, 2003 and June 30, 2004; preparation of Single Audit Reports in compliance with OMB Circular A-133; preparation of the Data Collection Form for the Single Audit Clearinghouse; verification of cash flow from the investment of receipts from prepayment of GNMA/Below Market Interest Rate (“BMIR”) loans; examination and submission of an independent auditors’ report on the State of Arkansas Construction Assistance Revolving Loan Fund Program and the State of Arkansas Drinking Water Fund financial statements as of and for the years ending June 30, 2003 and June 30, 2004; and review and approval of audited financial statements and auditors’ opinions which are to be reproduced in annual reports, official statements and other documents published by the Authority.

B. SUBMISSION OF PROPOSALS. Written proposals responding to the questions and requests for information in the manner specified in this Request For Proposal (“RFP”) should be submitted to the following:

ppatton@adfa.state.ar.us

To be considered, one (1) copy of the proposal should be delivered to ADFA not later than 12:00 p.m. (CST), March 11, 2003. All proposals shall be time and date stamped upon receipt. Late proposals will not be accepted. ADFA reserves the right to reject any or all proposals.

C. ADDITIONAL INFORMATION. It is the responsibility of the proposer to inquire about and clarify any aspect of the RFP. Questions should be directed to Patrick Patton, Vice President for Internal Audit, at (501) 682-5902. Substantive questions and answers will be documented in letterform and will be sent by electronic mail to all the proposers who provide us with an e-mail address. IN ORDER TO BE ON THE DISTRIBUTION LIST FOR INTERNET TRANSMISSION OF ALL RESPONSES TO INQUIRIES, YOU MUST **IMMEDIATELY** ADVISE PATRICK PATTON OF ADFA THE INTERNET E-MAIL ADDRESS TO WHICH YOU WANT ALL SUCH TRANSMISSIONS SENT.

D. PROPERTY OF ADFA. Any information or materials submitted as a response to this RFP shall become the property of ADFA and will not be returned. All submitted materials will be available for public review.

E. RESPONSE TO REQUEST FOR PROPOSAL. Firms wishing to respond to this RFP may contact the Chair of the Professional Selection Committee, Patrick Patton. NO CONTACT

WITH ADFA BOARD MEMBERS IS ALLOWED AND ANY SUCH CONTACT WILL BE GROUNDS FOR IMMEDIATE REJECTION OF A FIRM'S PROPOSAL.

F. SELECTION TIMETABLE.

February 21, 2003	Request for proposal issued
March 11, 2003	Proposals due by 12:00 p.m. (CST)
TBA	Oral Interviews, if needed
March 20, 2003	Board action (ADFA resolution appointing team)

Note: After selection, the engagement contract is submitted to Arkansas Department of Finance & Administration ("DF&A") for approval and to Legislative Council for review.

G. SELECTION PROCESS. The ADFA staff Professional Selection Committee will review the submitted proposals. Proposals will be evaluated based on responses to specifics outlined in the Proposal Format section of this RFP and based upon the selection criteria. Proposals which omit any of these items may be rejected as non-responsive. From this review, a select group of firms could be chosen for interviews. All proposing firms will be advised of the firms selected. After interviewing the selected firms, the Board of Directors Professional Selection Committee will make its decision on a recommendation for selection, which will be reported to the Board of Directors of the Authority. The final selection will be made by a vote of Board members.

ADFA may at any time prior to the selection of independent auditor reject any and all proposals and cancel this RFP, without liability therefor, upon finding by that there is good cause for rejecting all proposals and that it would be in its interest to cancel the solicitation. Further, regardless of the number and quality of proposals submitted, ADFA shall under no circumstances be responsible for any proposer costs and expenses incurred in submitting a response to this RFP. Each proposer who submits a response does so solely at the proposer's cost, risk and expense. ADFA accepts no responsibility for the return of successful or unsuccessful proposals. This RFP in no way obligates ADFA to select a firm.

H. SELECTION CRITERIA. The Staff Professional Selection Committee composed of selected members of ADFA will review the proposals. The committee generally will use the following criteria to evaluate all acceptable proposals and to develop recommendations to be presented to the ADFA Board Professional Selection Committee; however, the Committee reserves the right to evaluate proposals based upon factors beyond the listed criteria.

	<i>Factor</i>	<i>Point Range</i>
1.	Engagement office and firm's experience as independent auditor for:	
a.	Housing finance agencies	0-5
b.	Other issuers of revenue bonds	0-5
c.	Commercial banks and mortgage lenders	0-5

d.	Other agencies of the State of Arkansas	0-5
2.	Organization, size and structure of firm.	0-5
3.	Qualifications of staff to be assigned. Position in firm and years and type of experience will be considered.	0-15
4.	Responsiveness of written proposal to the scope of services and requirements.	<u>0-10</u>
	<i>Total Technical Points</i>	<u>0-50</u>
5.	Points for cost	<u>0-20</u>
	<i>Maximum Points</i>	<u>0-70</u>

SECTION II: SCOPE OF SERVICES AND REQUIREMENTS

The independent auditor will be expected to perform all the normal duties associated with being an independent auditor for a state government finance agency including, but not limited to:

A. INDEPENDENT AUDITOR'S REPORT. Examine and submit an independent auditor's report on the Authority's financial statements as of and for the year ending June 30, 2003, and June 30, 2004. The Authority anticipates that the 2003 audit will begin on or about August, 2003, and will approve pre-audit review of the financial records provided the review does not unreasonably interfere with the Authority's preparation of the June 30, 2003, financial statements. Interim audit work should be expected to be carried on throughout the year.

Audited financial statements and management letter must be completed, and twenty-five (25) copies of the statements to the Authority as well as a copy of the Authority's financial statements on disk (for web-site posting) on or before November 15th.

B. SINGLE AUDIT REPORTS. Prepare Single Audit reports in connection with the HUD Section 8 Housing Assistance Payments Program (CDFA Number 14.149), the HUD HOME Investment Partnership Program (CDFA Number 14.239), the USDA Farm Loan Mediation Program (CDFA Number 10.435), the EPA State Revolving Loan Fund Program (CDFA Number 66.458) and the Soil and Water Conservation Commission Revolving Loan Fund Program (CDFA Number 66.468).

The 2003 Single Audit Act reports must be completed and delivered to the appropriate federal offices by February 28th. Additionally, fifteen (15) copies of the report must be delivered to the Authority.

C. DATA COLLECTION FORMS. Preparation of the Data Collection Forms for the Single Audit Clearinghouse should be performed for the fiscal years ending June 30, 2003 and June 30, 2004.

D. REPORT ON REVOLVING LOAN FUNDS. Examine and submit an independent auditor's report as well as Single Audit reports on the Arkansas Department of Environmental Quality ("ADEQ") and the Arkansas Soil and Water Conservation Commission/ADFA Revolving Loan Fund programs financial statements as of and for the year ending June 30, 2003, and June 30, 2004, if required. The Authority anticipates that the 2003 audit will begin on or about August, 2003.

An audit of the June 30, 2003 and June 30, 2004, financial statements must be completed and ten (10) copies of the statements delivered to ADFA, ADEQ and to Arkansas Soil & Water Conservation Commission on or before November 15th.

E. OTHER AUDITS. Examine and submit an independent auditor's report on the Alternative Loan Fund Program and other financial statement audits resulting from ADFA managing funds for other state agency programs.

Examine and submit an independent auditor's report on the Information Technology Department of ADFA.

F. REPRINTS OF REPORTS. Review and approve reprints of audited financial statements and independent auditors' reports which are to be reproduced in annual reports, official statements, Authority's website and other documents published by the Authority. The Authority will provide its independent auditor a reasonable opportunity to proof all reprints of the audited financial statements before final publication.

SECTION III: STATEMENT OF QUALIFICATIONS

An updated statement of qualifications should be maintained on file at ADFA for all firms submitting proposals as independent auditor.

SECTION IV: PROPOSAL FORMAT

A. TRANSMITTAL LETTER. A one-page transmittal letter prepared on the proposer's business stationery should accompany the proposal.

B. PROPOSAL. The proposal should be labeled "Proposal to serve as Independent Auditor for the Arkansas Development Finance Authority." The submission must contain sufficient information to enable the ADFA Staff and Board Professional Selection Committees to evaluate the proposal. It should be prepared in a clear and concise manner and should address each of the following subsections:

1. **Experience as Independent Auditor for Providers of Financing.** Provide a representative list of state or local government finance agencies, investment bankers, commercial lenders and mortgage lenders for which your engagement office recently

served as independent auditor. Provide a presentation on this data, which includes the following:

- a. Name of client;
- b. Approximate total assets of client;
- c. Duration of auditor/client relationship;
- d. Services performed for client; and
- e. Your firm's engagement team.

2. **General Information Regarding the Firm.** How many professionals employed by your firm's Little Rock office has substantial expertise in:

- a. Government finance agency accounting/auditing;
- b. Commercial banking and mortgage banking accounting/auditing; and
- c. Other accounting/auditing activities which will contribute to your firm's ability to serve as independent auditor for the Authority.

3. **Independent Auditor Team and Personnel** Describe the manner in which you would organize your firm's resources to serve as independent auditor for the Authority. In doing so, please address the following questions or issues:

- a. Identify the individual who will manage this engagement on a day-to-day basis. Define this individual's position within the firm and indicate the degree to which he or she will be able to commit the firm's resources to the Authority. What is this person's availability for this engagement, and what other commitments does he or she have? Provide a brief summary of his or her professional qualifications and experience.
- b. Identify other professionals from your firm who will be assigned to work on this engagement, their roles and responsibilities and relevant aspects of their background.

4. **Comments on Scope of Services.** Elaborate on your approach to performing services as independent auditor for ADFA.

Provide a schedule for the completion of major activities necessary to finish your audit of the June 30, 2003 and June 30, 2004, financial statements and deliver twenty-five (25) copies of the statements to the Authority as well as a copy of the Authority's audited financial statements on disk (for web-site posting) by November 15th.

Provide a schedule for the completion of major activities necessary to finish the required Single Audit Act reports and deliver them to the appropriate federal agencies by February 28th.

Provide a schedule for the completion of major activities necessary to finish your audit of the June 30, 2003, financial statements for the ADEQ/ADFA Revolving Loan Fund Program and the Arkansas Soil & Water Conservation Commission Revolving Loan Fund and deliver ten (10) copies of the statements to ADFA, ADEQ and the Arkansas Soil and Water Conservation Commission by November 15th.

5. **Client References.** Provide between two or three client references that you feel are somewhat similar to the Authority. Furnish name, title, agency and telephone number for these references.
6. **Rationale for Appointment and Proposal Summary.** This section of the proposal should be used by each Proposer to present the case for its appointment to the position sought. In addition, the key points raised in the proposal should be summarized.
7. **Independent Auditor Fee Proposal.**
 - a. Provide a schedule of fees for performing the audit of the June 30, 2003, and June 30, 2004, financial statements, separately. Either quote a flat amount or a maximum amount based on an hourly rate. The schedules should include your fee for reviewing and approving the financial statements that will be attached to the Authority's annual report.
 - b. Provide a schedule of fees for preparing Single Audit Act reports in connection with the HUD Section 8 Housing Assistance Payments Program, the HUD HOME Investment Partnership Program, the USDA Farm Loan Mediation Program and the EPA/Arkansas Soil and Water Conservation Commission State Revolving Loan Fund Programs. Either quote a flat amount or a maximum amount based on an hourly rate.
 - c. Provide a schedule of fees for verifying the cash flow from the investment of proceeds from one or more prepayment(s) of a BMIR loan. Either quote a flat amount or a maximum amount based on an hourly rate.
 - d. Provide a schedule of fees for performing the audit of the June 30, 2003, and June 30, 2004, financial statements for the ADFA/ADEQ and Arkansas Soil and Water Conservation Commission Revolving Loan Fund Programs. Either quote a flat amount or a maximum amount based on an hourly rate.

CERTIFIED PUBLIC ACCOUNTING FIRMS

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